

**MINUTES
SCHOLARSHARE INVESTMENT BOARD**

December 12, 2013

Chair Bettina Redway called the meeting to order at 1:03 PM.

Present:

Members: Bettina Redway for Bill Lockyer, California State Treasurer
Richard Gillihan for Michael Cohen, Director of Finance
Elisa Wynne for Karen Stapf Walters, Executive Director, State Board of Education
Hal Geiogue, Governor Appointee, California Student Aid Commission
Christopher Jennings, Speaker Appointee
Rhonda Johnson, Senate Rules Committee Appointee

Staff: Arlene Greene, Acting Executive Director, ScholarShare Investment Board
(SIB or Board)
Stanley Zeto, Manager, SIB
Katie Burns, SIB
Hau Cam, SIB
Maria Collins, SIB
Brian Gorban, SIB
Sue Lim, SIB
Joyce Eriksson, SIB
Deborah Yang, Senior Attorney, State Treasurer's Office (STO)

Consultants: Jeremy Thiessen, Managing Director, Pension Consulting Alliance, Inc. (PCA)
Eric White, Vice President, PCA
Andrea Feirstein, Managing Director, AKF Consulting Group (AKF)

TFI: Michael Noone, President, TIAA-CREF Tuition Financing, Inc. (TFI)
Pamela McNulty, Senior Director, Head of Marketing, TFI
Chris Lynch, Director, TFI
Laura Moewe, Director, TFI
Ed Mihalho, Director, Investment and Product Strategy, TFI
Don Wolf, Senior Marketing Manager, TFI
Ralph Clement, Team Manager, Lead Field Consultant, TFI
Jennifer Benson, Field Consultant, TFI
Garianne Dashiell, Field Consultant, TFI
Mike Diephouse, Field Consultant, TFI
Yvette Meneses, Field Consultant, TFI
Rafael Rivera, Field Consultant, TFI

Chair Redway declared a quorum present.

Board Agenda Item Number One
Approval of Minutes from September 12, 2013 ScholarShare Investment Board Meeting

The minutes for the September 12, 2013 SIB meeting were presented to the Board.

Board Action

Member Johnson moved to approve the item before the Board, the minutes for the September 12, 2013 SIB meeting. The motion was seconded by Member Geiogoue and approved by the Board.

Board Agenda Item Number Two
Resolution to Approve Appointment of an Acting Executive Director for the ScholarShare Investment Board

Due to the resignation of Zeny M. Agullana, Executive Director of SIB in late November, Resolution No. 2013-07 was presented to the Board appointing Arlene Greene, the current Deputy Executive Director of SIB, to serve as Acting Executive Director until an Executive Director is appointed by the Board.

Board Action

Member Geiogoue moved to approve the item before the Board, Resolution No. 2013-07 appointing Arlene Greene as Acting Executive Director of SIB. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Three
Resolution to Approve the Delegation Authority for the Execution of Contracts and Interagency Agreements

Ms. Greene stated that per statute, the Board may authorize the Executive Director to enter into contracts on behalf of the Board or conduct any business necessary for the efficient operation of the Board. Ms. Greene presented Resolution No. 2013-08 which provides the Executive Director with delegation authority for the execution of contracts and interagency agreements for SIB.

Board Action

Member Johnson moved to approve the item before the Board, Resolution No. 2013-08, approving the delegation authority for the execution of contracts and interagency agreements for SIB. The motion was seconded by Member Jennings and approved by the Board.

Board Agenda Item Number Four
Executive Director's Report

Mr. Stanley Zeto, SIB, provided updated account and asset data for the ScholarShare College Savings Plan (Plan) and an update on the Governor's Scholarship Programs (GSP).

Member Geiogue inquired whether the total redemption amounts were typical for the year.

Mr. Michael Noone, TFI, responded that the numbers were in line with numbers following a program manager transition and that the numbers showed that Plan participants were withdrawing the money for its intended purpose. Mr. Zeto also provided an update on federal legislation and contracts in progress.

Ms. Greene provided staff updates and highlights of ScholarShare's recent marketing and outreach efforts. She also provided an update on various statutorily required annual reports that were completed and distributed in September and October for the Plan. Ms. Greene also noted that ScholarShare was awarded a silver rating by the Morningstar Rating Agency.

Ms. Greene presented the proposed 2014 SIB meeting calendar and also noted that a fiduciary and investment training for Board Members had been tentatively scheduled for March 2014.

Ms. Greene requested that Board Members confirm availability and a final meeting calendar would be distributed to the Board in January 2014.

Board Agenda Item Number Five
Introduction to TIAA-CREF Tuition Financing, Inc.'s Field Consultant Team for the ScholarShare College Savings Plan

Ms. Pam McNulty, TFI, introduced the seven TFI field consultants promoting ScholarShare throughout the state. Ms. McNulty reported that the licensed consultants market the program through various efforts including employer outreach, one-on-one meetings with investors, workshops and webinars. They also provide support for sponsored partner and community events and initiatives. Each individual consultant provided a brief overview of their background and their efforts to educate Californians about the benefits of saving for college with ScholarShare.

Board Agenda Item Number Six
Resolution to Enter into a Contract with 529 Industry Consultant

Mr. Zeto presented Resolution No. 2013-09 authorizing the Executive Director to enter into a contract with AKF Consulting Group for 529 industry consulting services for SIB. Mr. Zeto stated that the term of the contract is from April 17, 2014 through April 16, 2016 with an option to extend for one additional year. The maximum amount of the two-year contract is \$159,573.00.

Board Action

Member Johnson moved to approve the item before the Board, Resolution No. 2013-09 authorizing the Executive Director to enter into a contract with AKF for 529 industry consulting services for SIB. The motion was seconded by Member Geiogue and approved by the Board.

Board Agenda Item Number Seven
Resolution to Approve Changes to the Marketing Performance Criteria for the ScholarShare College Savings Plan

Mr. Zeto presented Resolution No. 2013-10, approving changes to the Marketing Performance Criteria (Benchmarks) for the Plan and authorizing the Executive Director to execute an amendment to Agreement No. SIB 15-10 (Contract) to reflect the approved changes.

Ms. Andrea Feirstein, AKF, presented AKF's analysis and stated that the proposed Benchmarks properly measure the Plan Manager's annual account and asset performance on a year-over-year basis and reinforces that the Plan Manager improve upon its own results each year. Ms. Feirstein added that AKF commends the joint effort of TFI and Staff to design acceptable Benchmarks.

Board Action

Member Geiogue moved to approve the item before the Board, Resolution No. 2013-10, approving changes to the Benchmarks for the Plan and authorizing the Executive Director to execute an amendment to the Contract to reflect the approved changes. The motion was seconded by Member Johnson and approved by the Board.

Board Agenda Item Number Eight
Review of 2014 Asset Allocation Recommendation for the ScholarShare College Savings Plan

Mr. Ed Mihallo, TFI, presented TFI's 2014 Asset Allocation Recommendation for the Plan. Mr. Mihallo highlighted the analysis with the recommendation for no changes in 2014 to the existing asset allocation for the portfolios in the Plan. Mr. Thiessen, PCA, stated that PCA reviewed and analyzed TFI's recommendation and concurred with the recommendation, as outlined in their memo.

Ms. Deborah Yang, STO, stated that since there were no changes recommended to the 2014 asset allocation, no action was required by the Board.

Board Agenda Item Number Nine
Review and Analysis of Investment Performance for the ScholarShare College Savings Plan for Third Quarter 2013

Mr. Eric White, PCA, provided an economic and market overview. Mr. Thiessen presented PCA's Investment Performance Status Report for third quarter 2013 which outlined the

performance of the funds in the Plan, in accordance with the approved Monitoring Procedures and Criteria. Mr. Thiessen reported that there are no funds currently on caution or watch status and that no funds were recommended for placement on watch at this time.

Mr. Ed Mihalho presented TFI's Investment Performance Report for the Plan for third quarter 2013.

Board Agenda Item Number Ten
Review of Administrative Performance for the ScholarShare College Savings Plan for Third Quarter 2013

Ms. Laura Moewe, TFI, presented TFI's Administrative Performance Report for the Plan for third quarter 2013 relative to pre-established performance criteria. Ms. Moewe reported that, for the third quarter, there were no areas where TFI underperformed (by more than two percent).

Board Agenda Item Number Eleven
Review of 2014 Marketing Plan for the Scholarshare College Savings Plan

Mr. Don Wolf, TFI, presented the 2014 Marketing Plan Recommendations for ScholarShare which outlined the marketing activities planned for 2014.

Board Members requested that staff continue efforts to quantify the marketing efforts to track results.

Public Comment

Chair Redway called for public comment.

Member Geiogue inquired whether the Board, or the Treasurer, should provide a response or comment on a recent article in the Sacramento Bee regarding the cost of college. Ms. Feirstein commented on the article from an industry-wide perspective and recommended no response at this time.

There being no further business before the Board, the Chair adjourned the meeting at 3:28 PM.